GOVERNMENT OF INDIA
CIVIL AVIATION
LOK SABHA

UNSTARRED QUESTION NO:6137
ANSWERED ON:05.05.2005
WAIVER OF SALES TAX
Mohite Shri Subodh

Will the Minister of CIVIL AVIATION be pleased to state:

(a) whether some Airlines have requested for waiver of State Sales Tax on the uneconomic routes;

(b) if so, the details in this regard; and

(c) the reaction of the State Government thereto?

Answer

- MINISTER OF STATE(INDEPENDENT CHARGE) OF THE MINISTRY OF CIVIL AVIATION (SHRI PRAFUL PATEL)

(a),(b) and (c):- The ATF costs constitute around 30% of the operating costs of the airlines in India as against the industry average of 10 to 15% in rest of the world. One of the major factors for high ATF costs is high incidence of sales tax thereon, i.e. around 25% on an average. To reduce the high ATF costs, a proposal has been mooted to notify ATF/AVGAS as `declared goods` under the Central Sales Tax Act so as to cap the rate of sales tax @ 4%. This proposal has been accepted in respect of turbo prop aircraft, which are normally operated on short sector routes. However, the proposal of extending this facility to other kind of aircraft has not been accepted in view of the serious revenue implications for the State Governments.